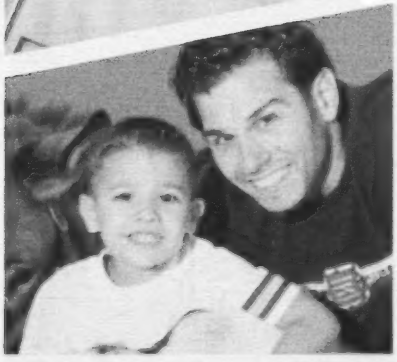
Pacific National Exhibition

ANNUAL REPORT 2008



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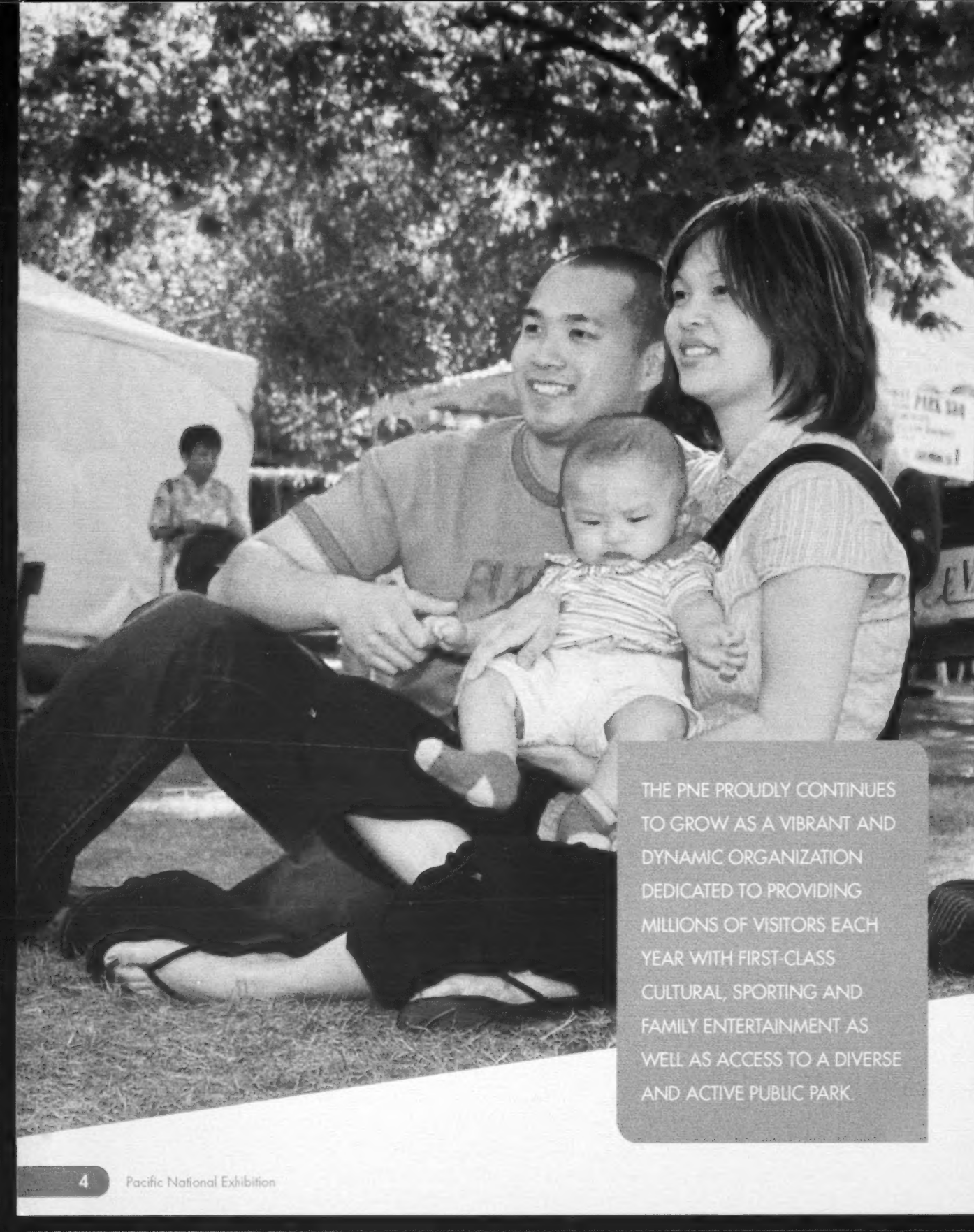

THE PNE PROUDLY CONTINUES TO GROW AS A VIBRANT AND DYNAMIC ORGANIZATION DEDICATED TO PROVIDING MILLIONS OF VISITORS EACH YEAR WITH FIRST-CLASS CULTURAL, SPORTING AND FAMILY ENTERTAINMENT AS WELL AS ACCESS TO A DIVERSE AND ACTIVE PUBLIC PARK.

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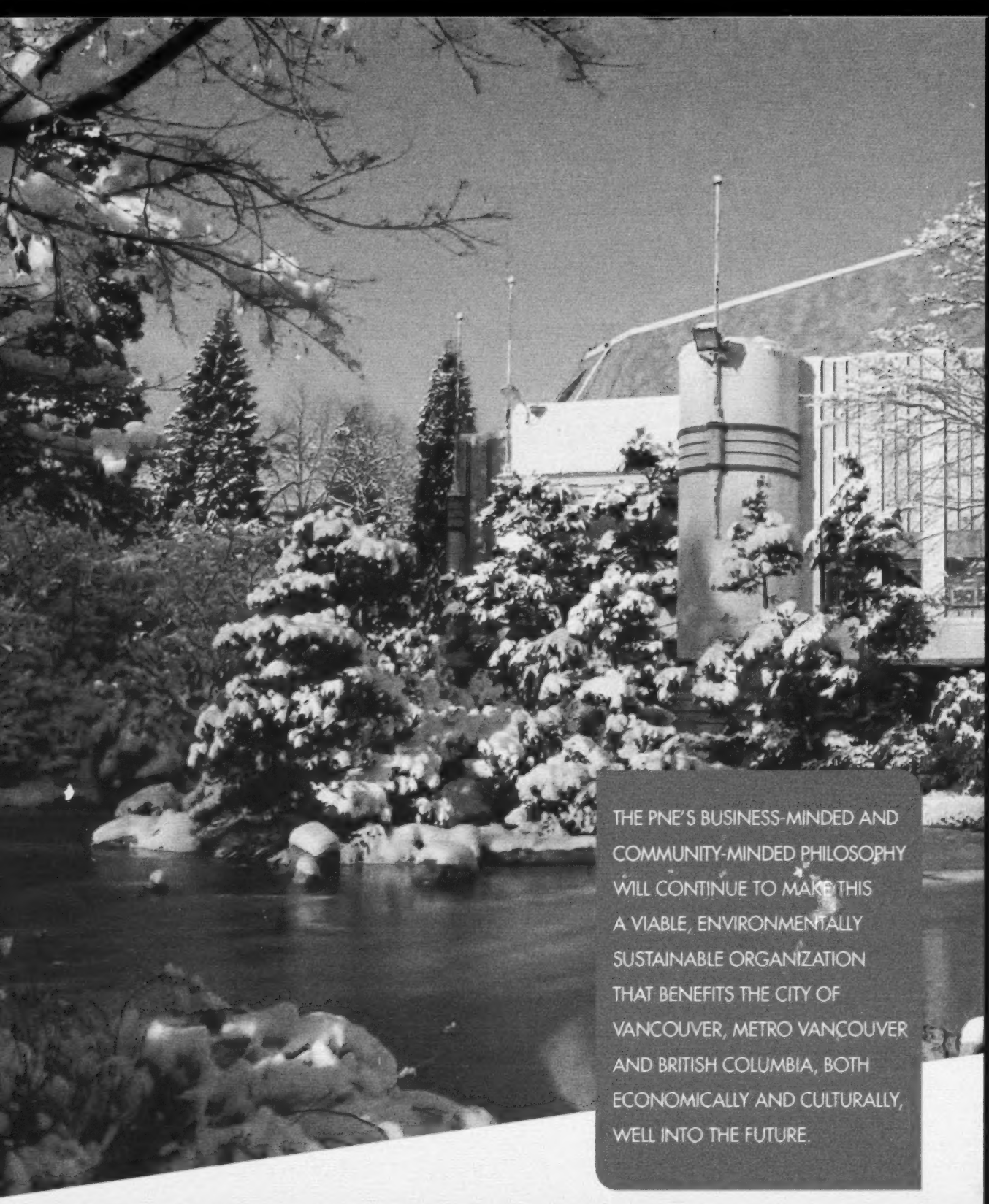


THE PNE'S BUSINESS-MINDED AND COMMUNITY-MINDED PHILOSOPHY WILL CONTINUE TO MAKE THIS A VIABLE, ENVIRONMENTALLY SUSTAINABLE ORGANIZATION THAT BENEFITS THE CITY OF VANCOUVER, METRO VANCOUVER AND BRITISH COLUMBIA, BOTH ECONOMICALLY AND CULTURALLY, WELL INTO THE FUTURE.

1. MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

This past year was one of many proud achievements at the PNE. The year launched with the BMO Canadian Figure Skating Championships hosted in the Pacific Coliseum and continued with a strong Vancouver Giants season and playoff run. Playland had an immensely successful summer season exceeding both attendance and revenue projections. The fall season saw Fright Nights achieve record-breaking attendance and revenues, and the year rounded out with the Pacific Coliseum playing host to the 2008/2009 Samsung ISU World Cup Short Track Speed Skating. Year-round facility rentals kept the park full of activity with guests who attended a wide variety of concerts, sporting events, cultural and spiritual events, trade and consumer shows and festivals on-site. The diverse nature of the 2008 event mix allowed the PNE to weather economic and market shifts, resulting in facility rentals exceeding revenue projections for the year.

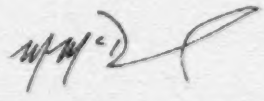
The annual summer Fair at the PNE was received by guests with great excitement but was plagued by inclement weather and received a record-breaking 65 mm of rain during its 17-day run. Despite the weather challenges, guest response to 2008 programming and entertainment was outstanding and over 753,000 guests came out to celebrate. This poor weather, however, did result in lower than expected attendance and revenues for the year. With the Fair being such a large part of the PNE business, this did have a notable affect on overall revenues but mitigation efforts by management as well as prudent contingency planning resulted in the PNE still achieving a positive overall net contribution for 2008.

Looking forward to its centennial anniversary in 2010, the PNE remains committed to providing a place for our guests in the immediate and greater communities to celebrate through all the diverse uses of Hastings Park. The PNE's business-minded and community-minded philosophy will continue to make this a viable, environmentally sustainable organization that benefits the City of Vancouver, Metro Vancouver and British Columbia, both economically and culturally, well into the future.

The PNE achieved many great successes throughout 2008 and the staff and management should be very proud of these accomplishments. We would like to take this opportunity to thank all of the dedicated and hard-working staff who continue to go above and beyond, year after year, to make this great company as successful as it is. This creativity and passion will help drive the PNE forward into another century of celebration.

We would also like to thank the Board of Directors for their many hours of service and dedication to the PNE. Together, we look forward to continuing our legacy of providing world-class family entertainment that encourages use of this vibrant urban public park and welcomes guests to come celebrate Vancouver's heritage, culture and diverse communities.

Raymond Louie
Chair, Board of Directors

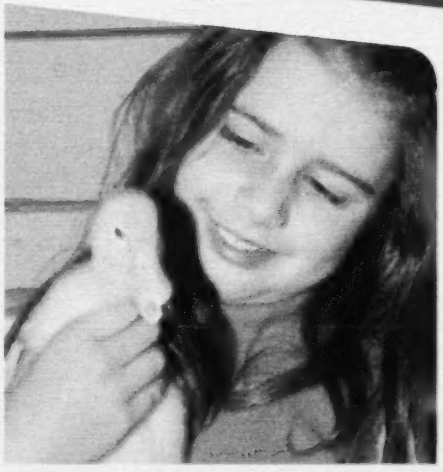


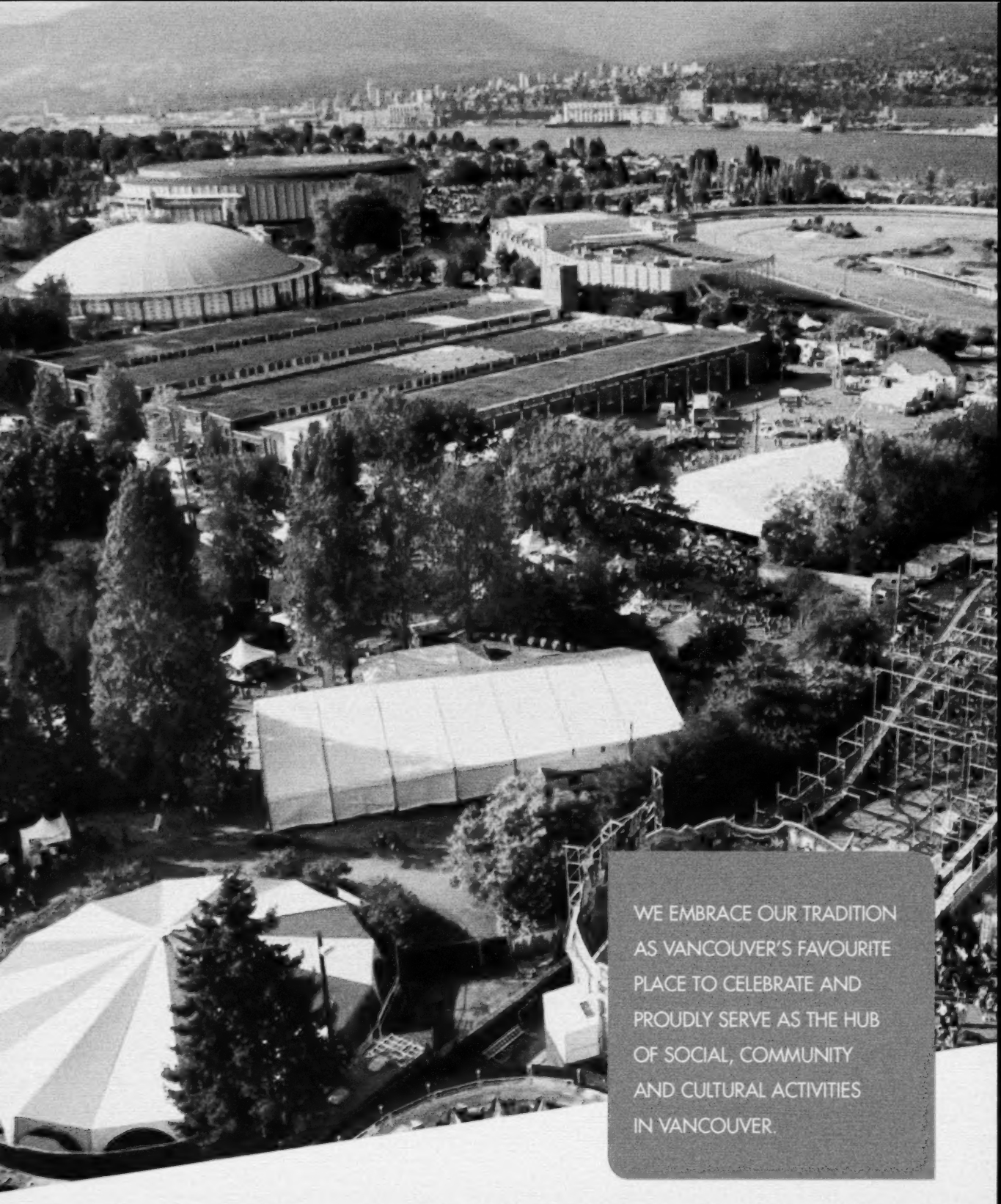
Michael McDaniel
President and
Chief Executive Officer

II. OVERVIEW OF THE PACIFIC NATIONAL EXHIBITION

The Pacific National Exhibition (PNE) is a non-profit registered charity owned by the City of Vancouver, and 2008 was another year of many proud achievements for this organization. The success of the events held on-site reinforced the PNE's long-standing tradition of being Vancouver's best place to gather and celebrate. After 98 years, the PNE still remains the epicentre for events that entertain and shape the experience of our city and residents. Every year, guests enjoy a wide range of experiences that emulate the diversity of our city. We host millions of guests annually at concerts, sporting events, community festivals, cultural activities, Playland amusement park and, of course, the annual summer Fair at the PNE—the longest-running and best-attended ticketed event in British Columbia. The PNE is proud to set the standard for family entertainment in BC and to serve as a major source of agricultural education and exhibits. In addition to the many events hosted on-site, the PNE also actively encourages public access to, and use of, the beautiful Hastings Park site throughout the year for walking, jogging, family picnics, riding a bike or walking the dog.

AFTER 98 YEARS, THE PNE STILL REMAINS THE EPICENTRE FOR EVENTS THAT ENTERTAIN AND SHAPE THE EXPERIENCE OF OUR CITY AND RESIDENTS.





WE EMBRACE OUR TRADITION AS VANCOUVER'S FAVOURITE PLACE TO CELEBRATE AND PROUDLY SERVE AS THE HUB OF SOCIAL, COMMUNITY AND CULTURAL ACTIVITIES IN VANCOUVER.

III. PNE MISSION

The PNE is committed to enriching the quality of life at Hastings Park by providing a wide range of family entertainment and events that invite our guests to celebrate Vancouver's heritage, culture and diverse communities within a vibrant urban public park. We embrace our tradition as Vancouver's favourite place to celebrate and proudly serve as the hub of social, community and cultural activities in Vancouver.

The PNE continues to work to achieve its mission through an underlying set of core values that impact every aspect of our commitment to our staff and the guests we serve. These values are:

- Strive for excellence, always
- Remain industry leaders by providing the best entertainment value for our guests in a clean, safe and fun environment
- Build on our history and tradition while proactively creating our future
- Treat all partners, employees and guests with integrity, fairness and respect
- Stay committed to the growth and sustainability of the organization and the Hastings Park site

IV. 2008: YEAR IN REVIEW

Throughout 2008, the PNE continued their tradition of providing guests with a diverse range of social celebrations and fun-filled memories. Highlights of 2008 included another solid season in Playland, with the park exceeding both budget and attendance expectations. Our Fright Nights event continued to show strong growth by reaching new attendance records. Film rentals and other year-round facility rentals were strong, allowing the PNE to showcase a diverse range of concerts, sporting events and cultural activities.

Event highlights included another strong season for the Vancouver Giants hockey team, and the Pacific Coliseum played host to the 2008 BMO Canadian Figure Skating Championships as well as the 2008/2009 Samsung ISU World Cup Short Track Speed Skating. Concerts were diverse and included shows by Kid Rock, John Mellencamp, Alan Jackson and Iron Maiden as well as several emerging bands such as The Mars Volta and Panic! At The Disco.

Other special events hosted on-site included the annual Citytv Taste of the City festival, four all-night dance parties, three Ismaili festivals, four industry trade shows, Disney On Ice, over 20 film shoots, and a number of religious and cultural shows. Throughout the year, the public park was widely enjoyed by the local and surrounding communities. Both revenues and attendance for year-round events exceeded targets.

The Fair at the PNE showcased some outstanding new entertainment and surpassed guest expectations; however, Fair attendance and revenues were lower than expected due to record levels of rainfall during the 17-day period. In fact, the Fair received more rain during 2008 than ever before in its recorded history. Strong events throughout the year, prudent contingency planning and significant post-Fair mitigation efforts allowed the PNE to maintain a positive net financial position for the year.

THROUGHOUT 2008, THE PNE CONTINUED THEIR TRADITION OF PROVIDING GUESTS WITH A DIVERSE RANGE OF SOCIAL CELEBRATIONS AND FUN-FILLED MEMORIES.

THE CAPITAL INVESTMENT MADE IN PLAYLAND ATTRACTIONS FOR THE 2008 SEASON DREW NEW GUESTS AND RE-ENERGIZED THE PARK'S DIEHARD FANS.

2008: YEAR IN REVIEW

A. EVENT HIGHLIGHTS

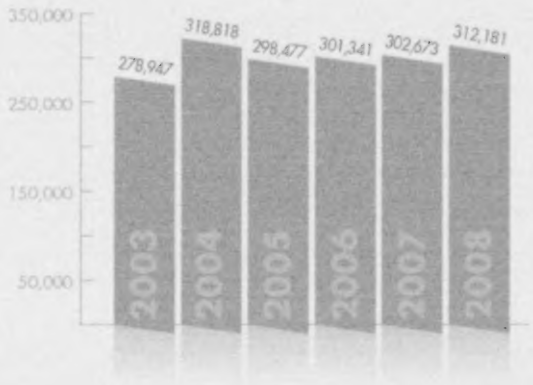
Playland Amusement Park

Playland was open for 94 operating days in 2008, six fewer days than in 2007, and played host to 312,181 guests between April 21 and September 28. As a testament to the park's success, this is an increase of almost 10,000 guests over 2007, and within a shorter season. *See Figure 1 for six-year attendance trend.* This was another stellar season in Playland, and the highlights include:

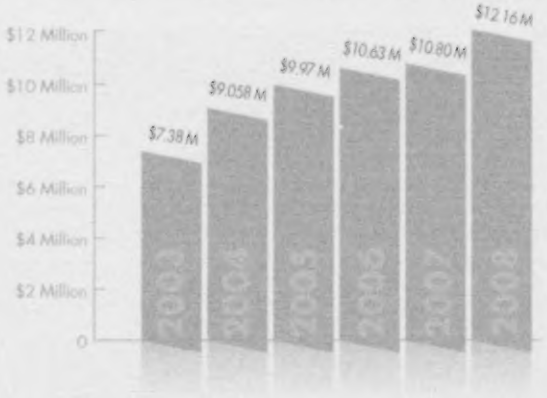
- Increase in attendance of 9,508 guests over 2007, exceeding previous year attendance and 2008 targets, despite having six fewer operating days in the season than in 2007.
- Addition of three new high profile kids attractions targeting the family demographic—the Super Slide, Honeybee Express Train and Pacific Adventure Golf, an 18-hole themed mini-golf attraction.
- The Amusement Park Science and Physics program generated 19,738 visits by primary and secondary school students to study the "science of fun" at Playland. Although this was a decrease in attendance of 12% over 2007, this was due to a key educational curriculum change for Grade 9 science and physics students, which eliminated one key event date.
- The group sales VIP corporate event program also showed strong growth in 2008, with 33,268 guests attending preplanned company events in Playland, a 23% growth in attendance and 20% increase in gross revenues for the program over 2007.
- Gross revenues from Playland operations exceeded budget targets by 8.5%, reaching $12.16 million for the year. *See Figure 2 for six-year trend.*
- Operating surplus was $4.71 million for 2009. This was $643,854 higher than budget due in part to the success of the investments made in Playland attractions for the 2008 season. *See Figure 3 for six-year trend.*

Every aspect of the 2008 Playland season was an outstanding success. Gross revenues, net contribution and attendance all exceeded budgeted projections. Group sales and Corporate VIP programs exceeded attendance and revenue targets. The capital investment made in Playland attractions for the 2008 season drew new guests and re-energized the park's diehard fans. The PNE's commitment to theming new attractions and adding natural landscaping elements has improved the overall look of the site and the guest experience. Continued focus on the elements that contribute to Playland success—such as capital investment in attractions to keep the experience fresh as well as a focus on leveraging technology, group sales, off-site ticketing, site appearance, guest services, retaining a strong operational team and providing safe, fun family attractions—will continue to keep Playland at the forefront of success for years to come.

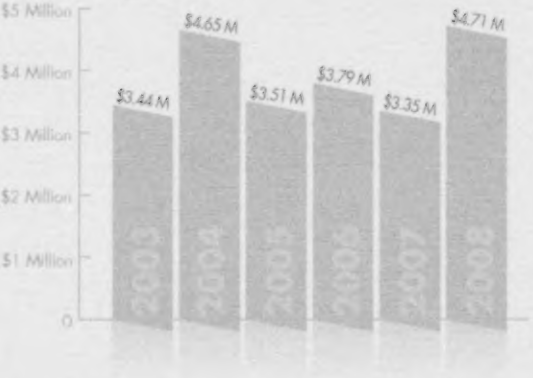
Playland Attendance *Figure 1*



Playland Gross Revenue *Figure 2*



Playland Net Contribution *Figure 3*



FRIGHT NIGHTS CONTINUES TO GROW AS A HALLOWEEN SEASON 'MUST DO' FOR TEENS AND ADULTS THROUGHOUT THE LOWER MAINLAND.

2008: YEAR IN REVIEW

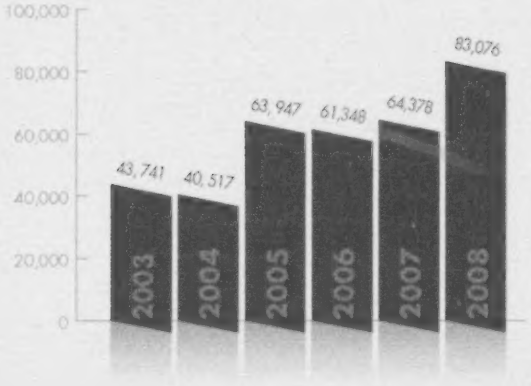
A. EVENT HIGHLIGHTS

Fright Nights at Playland

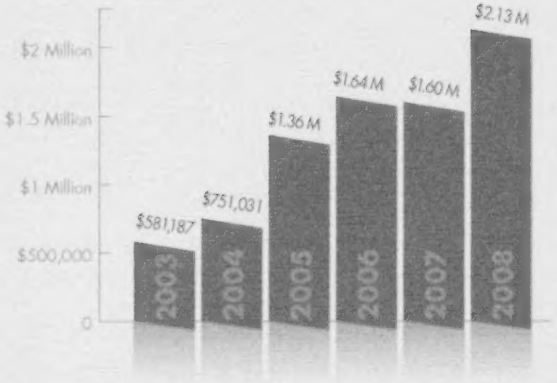
Now in its sixth season, Fright Nights continues to grow as a Halloween season 'must do' for teens and adults throughout the Lower Mainland. Each year, as the suns sets on the summer Playland season, PNE teams transform the park into the scary and exciting Halloween experience called Fright Nights. With the lights turned low, the park comes to life each night for guests to experience rides, haunted houses, a creepy maze and live actors that scare them silly. In 2008, Fright Nights ran for 17 nights, October 16 through November 1, and the highlights included:

- The event was again expanded in 2008 to include two extra rides (Breakdance and Enterprise), the new live show "The Monsters of Schlock" and the addition of the Coffin Simulator experience. In addition, the numbers of roaming cast members on the site were doubled to enhance the creepy ambience.
- These event improvements, as well as good weather, resulted in Fright Nights welcoming a record-breaking 83,076 guests in 2008, an increase of 29% over 2007. *See Figure 4 for six-year attendance trend.*
- Gross revenues for 2008 were $2.13 million, resulting in a net contribution of $687,826. Both gross revenues and net contribution exceeded budget projections. *See Figures 5 and 6 for six-year trends.*
- In 2007, instituting premium pricing on weekends helped to flatten attendance across weekdays and alleviate guest congestion on key weekend nights. This strategy was continued in 2008 with only two off-site ticket options available for weekday or weekend tickets, which were available online at pne.ca and in gift card format at 7-Eleven and Safeway stores across the Lower Mainland.

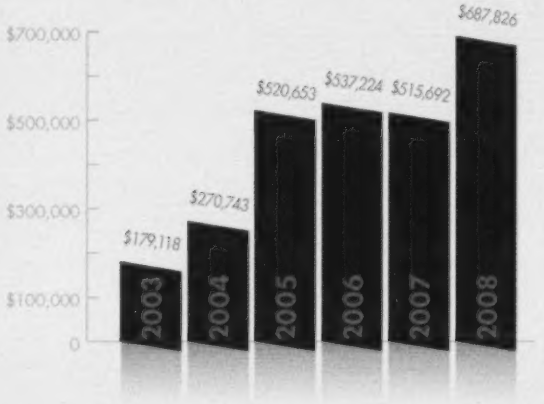
Fright Nights Attendance *Figure 4*

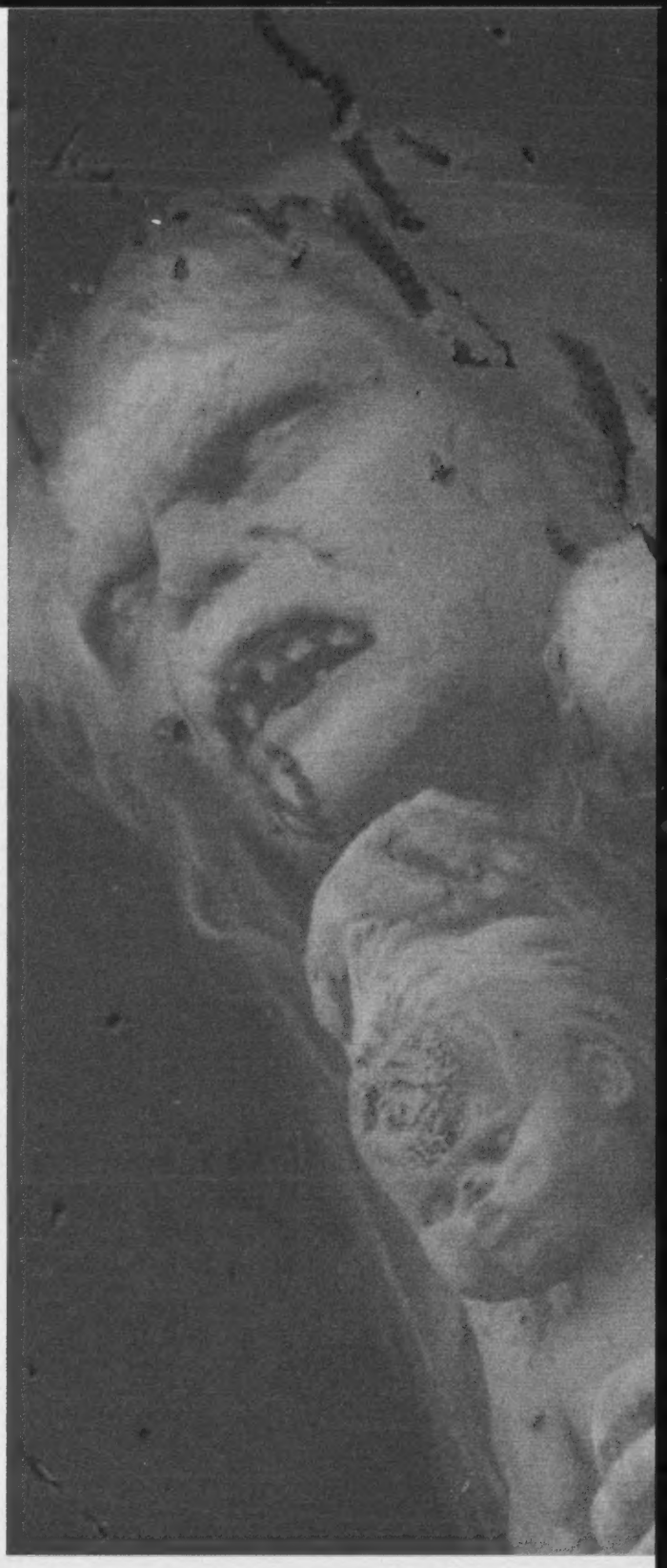


Fright Nights Gross Revenue *Figure 5*



Fright Nights Net Contribution *Figure 6*





2008: YEAR IN REVIEW

A. EVENT HIGHLIGHTS

THE PNE CONTINUED TO FOCUS ON ENHANCING ITS MARQUEE ENTERTAINMENT LINEUP AND ON PROVIDING VALUE TO GUESTS THROUGH ITS FREE SHOWS, EXHIBITS AND PROGRAMMING EFFORTS.

The Fair at the PNE

The Fair at the PNE celebrated its 98th year in 2008. It remains the largest event in BC and continues to be Vancouver's signature summer tradition, offering a wide range of free shows, exhibits, demonstrations, rides, games and food, and a vast array of family entertainment for all ages. In 2008, the PNE continued to focus on enhancing its marquee entertainment lineup and on providing value to guests through its free shows, exhibits and programming efforts that the public could enjoy daily from August 16 through September 1. While the Fair experienced a record-breaking amount of rain on 14 of the 17 days, guest feedback on the event was positive and the highlights included:

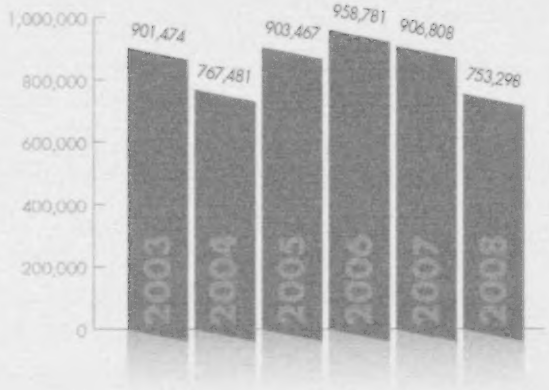
- New entertainment elements for 2008 included a wandering theatrical production of *The Jungle Book*, the return of the WestCoast Lumberjack Show, the introduction of the all new After Dark experience in Spirit Plaza, and the all new Summer Night Concerts series featuring stars like Billy Ray Cyrus, Sheena Easton, Glass Tiger, 54-40, Sass Jordan, teen star Vanessa Hudgens and Air Supply. All shows and concerts were free with admission.
- Guests also had the opportunity to experience the wonder of the Peking Acrobats, Rolling Thunder and the Toontastic Celebration Parade, as well as the traditional guest favourites such as Superdogs, Farm Country and Dal Richards.
- The Fair continued its Opening Day tradition of providing free gate admission from 9 am until noon, resulting in a huge opening day crowd of over 80,000 guests.
- In total, 753,298 visitors enjoyed the 2008 Fair. This was lower than projected only due to the record-breaking rainfall received during the 17 days of the Fair (over 65 mm across 10 days). Overall attendance was down 17% from 906,808 in 2007. *See Figure 7 for six-year attendance trend.*
- The Fair generated $22.09 million in gross revenues and an overall net contribution of $5.28 million. While this was $2.06 million under budget due to unprecedented inclement weather, prudent contingency planning and mitigation efforts by the management team during and after the Fair resulted in the organization maintaining an overall positive financial position for the year. *See Figures 8 and 9 for six-year trends in gross and net revenues for the Fair.*

- The off-site retail ticket program strategy remained strong, resulting in one in three guests in 2008 buying a Fair ticket off-site or online prior to coming to our gates. This helps to alleviate guest lineups at the gates and improve the overall guest experience.

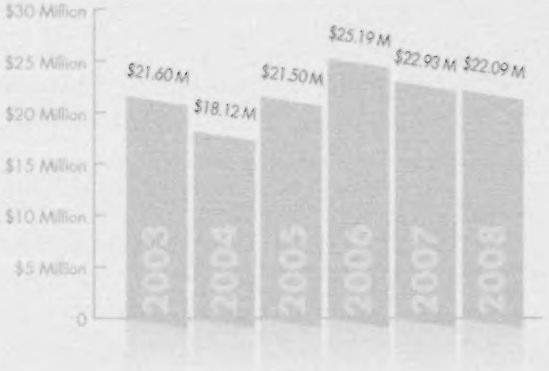
In summary, the 17 days in 2008 over which the Fair operated received record-breaking amounts of daily rainfall. Luckily, strategic investments in the 2007 Fair programming and infrastructure provided a carry forward positive impact on the 2008 Fair. The strength of the evening concert line-up made it possible to still draw fans despite adverse weather. A sea of umbrellas at the Air Supply concert, and the several thousand teens in rain gear who braved the elements for a glimpse of Vanessa Hudgens embodied the draw of the entertainment lineup and helped to bring over 750,000 people to the Fair, despite 2008 being one of the worst rain years in PNE history.

Inclement weather affected 14 days of the 2008 Fair and specifically adversely affected our peak weekend days. In monitoring the event's financial status daily throughout the Fair, the PNE management team was able to activate a number of mitigating efforts to help minimize the negative financial impact of weather. Fair-time staffing was reduced, variable Fair costs were cut where reasonable and post-Fair contingency spending was reduced. Several capital projects were held off and each department was tasked with finding areas of cost savings that could be realized between September and year-end. These efforts, as well as the strength of the Playland season and year-round events, resulted in the PNE maintaining an overall positive net contribution despite the Fair being under budget.

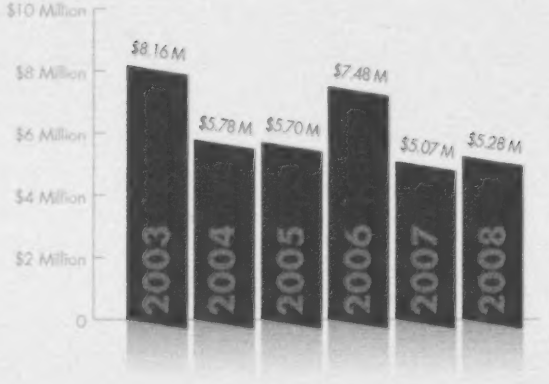
Fair Attendance *Figure 7*



Fair Gross Revenue *Figure 8*



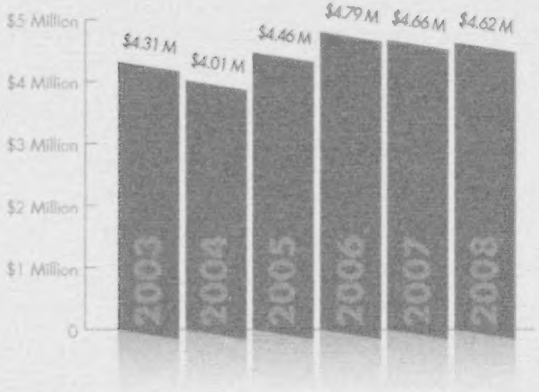
Fair Net Contribution *Figure 9*



2008: YEAR IN REVIEW

A. EVENT HIGHLIGHTS

PNE Lottery Gross Revenue *Figure 10*



PNE Prize Home Lottery Program

"WIN A HOUSE! WIN A CAR!"

The 2008 year was the 74th year of the PNE Prize Home lottery tradition at the PNE. As the original, and still the most affordable, the home lottery program remains synonymous with the PNE and the summer Fair. In 2008, the house was a coastal cottage-inspired Craftsman style home and included a lot on the Sunshine Coast. The grand prize 3,000-square-foot home came fully furnished, and included $2,500 in groceries and an outdoor living package. Additional draw prizes included 13 vehicles, a new Outdoor Adventure package with a $10,000 prepaid VISA and three early bird draws. The grand prize draw was held September 2, and highlights of the 2008 lottery program included:

- A new prize draw was added in 2008. This Outdoor Adventure package included West-Coast-inspired sporting gear such as a windsurfer, kayak, his and hers snowboards, a pair of mountain bikes, and a $10,000 prepaid VISA.
- The three Early Bird draws were $5,000 in groceries, a seven-night trip by train through the Canadian Rockies and a luxury trip for two to Jamaica.
- A total of 1,227,730 tickets were entered in the draw.
- Total lottery prizes for 2008 were valued at over $1.59 million.
- The lottery achieved gross revenues of $4.62 million. *Figure 10 provides a summary of PNE lottery gross revenues since 2003.*
- Sustainable elements in the 2008 prize home included a recycling room, water conservation technology and renewable resource construction, in keeping with the PNE sustainability mandate.
- Revenues from the prize home lottery program support non-revenue producing programs at the PNE such as the 4-H festival, multicultural and community stage, the Miracle Mile Athlete Bursary and a number of other community programs.

Year-Round Facility Sales

Outside of Playland, Fright Nights and the Fair at the PNE, a less well-known but very dynamic aspect of the PNE business involves the management and operation of six buildings on the Hastings Park site: the Pacific Coliseum, Rollerland, Garden Auditorium, Forum, Agrodome and the Livestock building. The rental use of these facilities allows the PNE to bring a wide range of events and entertainment to the site, including local, national and international concert productions, sporting events, festivals, community and cultural events, consumer shows, and filming. This landscape of events is ever-evolving and the use of these facilities allows the PNE to continue to bring events to the site that reflects the diverse interests of our community.

Because of the fluctuations and volatility within this business stream from year to year, the PNE team develops close relationships with event partners and promoters, remains current on industry trends, and works to anticipate market shifts within these industries. This allows the PNE to weather the ups and down of currency fluctuations and shifting economic conditions, which helps to ensure that the site remains busy and active with events for the community to enjoy year-round.

Highlights of the 2008 facility sales program were as follows:

Concerts

- Fifteen concerts were held at PNE venues in 2008. These included notable artists such as Big and Rich, John Mellencamp, Foo Fighters, Alan Jackson, Iron Maiden and Kid Rock. Several emerging artists were also hosted including Simple Plan, Panic! At The Disco, The Mars Volta and MIA.
- The PNE achieved $2.19 million in gross revenue from concert activity in 2008 and $996,827 in net contribution.
- The effect of US economic conditions has been felt in the concert business with fewer bands on tour throughout 2008 and total attendance at shows being lower than in previous years.
- In total, 121,900 guests attended concerts at the PNE in 2008.

Cultural and Spiritual Events

PNE facilities play host to a dynamic range of cultural events throughout each year and 2008 was no exception. These events provide diversity and a place for all groups to celebrate. Highlights of cultural programming on-site in 2008 included:

- Four Ismaili festivals were held on-site in March, May, November and December of 2008.
- The Living Proof Christian Conference was hosted in the Pacific Coliseum in late February.
- Two Indo-Canadian concerts were hosted on-site, as well as an April Vaisakhi Mela concert.

2008: YEAR IN REVIEW

A. EVENT HIGHLIGHTS

Film Activity

Film activity on-site picked up in 2008 and gross revenues more than doubled from 2007. Throughout the year, the PNE worked with 33 productions and generated $759,960 in gross film revenues. Highlights included:

- PNE facilities used for film activity in 2008 included the Forum, Agrodome, Rollerland, the Livestock Barns, Playland amusement park, parking lots and, occasionally, areas of the outside grounds.
- The PNE continued to build strong relationships in the industry to ensure that the organization is well prepared for market slowdowns and can capitalize on increased market activity. Economic conditions in the US and a fluctuating US dollar have a dramatic impact on film business in Vancouver and the PNE remains well poised to respond to market variations.

Dance Parties

The PNE continues to be one of the best locations to provide a safe, well-supervised public venue for promoters to host all-night dance parties. In 2008, the PNE hosted four such events on-site, bringing 12,538 guests to the site. This was 8% fewer guests than in 2007, which was a result of the current economic climate.

Sporting Events

PNE facilities continue to be at the heart of Vancouver's diverse range of sporting events and interests. In 2008, the PNE was proud to host a number of national and international sporting events at the Pacific Coliseum in addition to being the home venue of the Vancouver Giants Junior Hockey team. We also provide ice time to public and community groups and annually host the BC Boys Basketball tournament, martial arts events, charity hockey games and a wide variety of other special sporting events. Highlights of sporting activities held at the PNE in 2008 are:

- The year 2008 launched to national fanfare with the BMO Canadian Figure Skating Championships held at the Pacific Coliseum in January. Over 36,000 guests attended this event, which allowed the best Canadian athletes to skate and compete on their 2010 Olympic home ice.

- The Pacific Coliseum also played host to the 2008/2009 Samsung ISU World Cup Short Track Speed Skating in October of 2008. This event was a huge success on many fronts, with accolades on the event's operational execution from Skate Canada, the Canadian Short Track Speed Skating team and the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games (VANOC). In 2010, Vancouver will welcome back these athletes to compete for Gold. Over 13,000 guests attended this world-class international sporting event.
- For the first time in 2008, the PNE also played host to the Rick Hansen Wheels In Motion Corporate Challenge charity fundraiser and welcomed 42 corporate teams to the site for this June event.
- The Vancouver Giants continued to show their strength as a junior hockey franchise. They played a strong regular season of 36 games and participated in five playoff games through the end of the 2007/08 season. While attendance was a bit down for the season, the site saw 204,759 hockey fans come out to enjoy the Giants season, resulting in gross revenue of $3.29 million and a net contribution of $724,131 for the PNE.
- BC Boys basketball, the provincial Championship Tournament for boys' high school basketball, hosted approximately 11,000 guests who came out to support their favourite teams. This event continues to generate momentum and spirit for the sport; however, event attendance is heavily dictated by which teams make the finals and whether those teams are local or from another region of the province.
- The annual Oldtimers' Hockey Challenge game remained an annual favourite and, in 2008, the PNE added another memorial charity hockey game to the roster of events, the Gianfranco Giammaria Memorial Society hockey event.
- The PNE also proudly hosted over 1,700 students from nine local schools in the surrounding community to participate in an annual Terry Fox run.
- In 2008, the PNE provided 603 community ice time slots in the Agrodome, which were utilized by 25 different community groups over 163 days. The decreased number of community ice dates over 2007 was a reflection of lower availability, due to venue preparation for 2010 events.

Family Events

The PNE is particularly proud to hosts events that provide economical family entertainment. In 2008, these events included:

- Citytv's Taste of the City festival returned to Hastings Park for another year. This one-day outdoor festival is a free-admission festival where guests can taste the wares of over 30 of their favourite Vancouver restaurants and enjoy free entertainment on the Citytv cooking stage. Over 6,000 guests attended this event in July.
- The Wiggles tour welcomed young children from all corners of the Lower Mainland in April.
- The Garden Auditorium remained home to CircusWest, the circus training school formerly known as CirKids. In May, they hosted their annual show *Full Circle Circus* to rave reviews.
- Disney on Ice brought *High School Musical* to the Pacific Coliseum in November. Due to the slightly older age demographic attracted to this show (ages 7–10 versus ages 4–8), attendance was slightly lower than expected but the show still drew 29,541 guests over its five-day, seven-performance run in November 2008.

IN PREPARATION FOR THE WINTER GAMES, A NUMBER OF CAPITAL UPGRADES HAVE BEEN MADE TO FACILITIES AT HASTINGS PARK, MOST NOTABLY AT THE PACIFIC COLISEUM.

2008: YEAR IN REVIEW

A. EVENT HIGHLIGHTS

Trade Shows

PNE facilities are also used to host a number of consumer and trade shows throughout the year. In 2008, four industry trade shows and two retail warehouse sales were hosted on-site. These events included:

- Lordco Auto Parts trade show
- Neptune Food show
- Motorcycle Toy Run
- BC Electrical Association Trade Show
- Paradigm
  retail shoe sale—open to the public
- Paradigm Eddie Bauer retail sale—open to the public

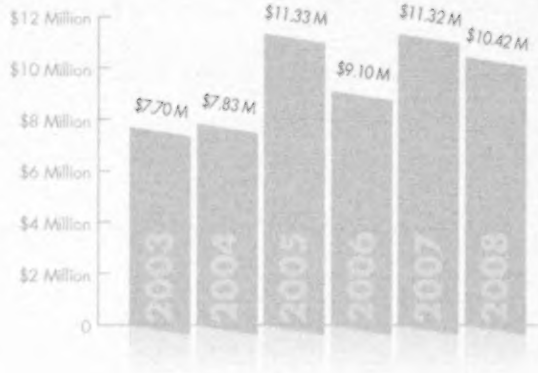
Facility Upgrades

The lead-up to the 2010 Olympic Winter Games continues to be an exciting time for the PNE as the organization prepares for February 2010. The Pacific Coliseum will host the world as the Olympic performance venue for both short track speed skating and figure skating. In preparation for the Winter Games, a number of capital upgrades have been made to facilities at Hastings Park, most notably at the Pacific Coliseum. The PNE continues to work with VANOC and the City of Vancouver to facilitate these upgrades.

In addition to the many projects completed in 2007, new tile and shower fixtures were installed in the lower level dressing rooms of the Pacific Coliseum. This also provided disabled access to these areas. In the Forum, the weight room and Pilates/yoga room were expanded, as well as new paint and flooring throughout. Low-flow washroom fixtures were installed in Forum change rooms. In the Agrodome, new lighting was installed as well as a new sound system with amplifiers and speakers.

Outside the on-site facilities, new high voltage electrical lines were installed from the Rupert Substation to the Pacific Coliseum, complete with a Vista Switch that automatically switches power if a problem occurs with one of the lines. Plans continue for completion of additional improvements throughout the site in 2009. PNE facilities will continue to benefit from these updates, and from the 2010 Olympic legacy, well into the future.

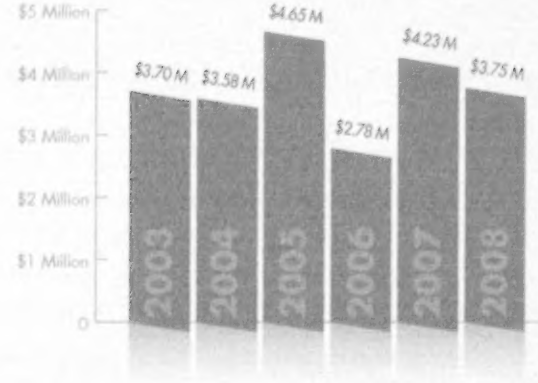
Facility Sales Gross Revenue *Figure 11*



Overall Facility Sales

The facility sales portfolio remained very strong and diverse throughout 2008. Gross event revenues for 2008 were $10.42 million, or $2.33 million ahead of budget for the year. *See Figure 11 for six-year gross revenue trend.* The combination of events on-site provided a gross contribution of $3.75 million in 2008, down from 2007 but up from 2006. The organization does expect to see fluctuations within this portfolio from year to year as a result of changing economic and industry factors. Various factors, including US currency exchange, have a significant impact on concert tours and film activity in Canada. As well, while the organization is thrilled to host national and international sporting events in the lead-up to 2010, these events are meant to serve as a run-through for preparatory operations and logistics, as opposed to being significant revenue drivers or having profit-driving ticket sales mechanisms. *See Figure 12 for six-year trend on net contribution for year-round facility sales.*

Facility Sales Net Contribution *Figure 12*



THE PNE REMAINS COMMITTED TO PARK PROTECTION AND ENHANCEMENT, AND WORKS DILIGENTLY TO MINIMIZE WEATHER IMPACTS ON THE PARK AND GARDENS WHEREVER POSSIBLE.

2008: YEAR IN REVIEW

B. ORGANIZATIONAL HIGHLIGHTS

A Vibrant Urban Park

The PNE continues to proudly serve as the heart of the Hastings Park site and as the primary steward in maintaining the building facilities as well as the beautifully landscaped public park areas and gardens. The PNE team is responsible for maintaining the trees, statues, benches, park equipment, lawns and gardens throughout the site on a year-round basis. Care of these grounds and facilities is a regular budgeted expense, and each year the PNE invests several million dollars to ensure the park remains well maintained for the community to enjoy year-round. Throughout 2008, this amounted to $3.07 million invested in the landscaping and facility maintenance. To ensure the grounds remain in the best possible care, the PNE has specially trained horticultural teams on staff to ensure that areas such as the Italian Gardens, Momiji Garden and the Sanctuary remain in their vibrant and naturally intended states. The PNE remains committed to park protection and enhancement, and works diligently to minimize weather impacts on the park and gardens wherever possible.

In addition, the team continues to consult with the City of Vancouver and the Vancouver Park Board to enhance best practices.

As always, the PNE remains committed to celebrating Hasting Park and making it an open, accessible space for the public to enjoy. Many steps have been taken in recent years, and continue to be taken, to reduce real and perceived barriers to public enjoyment of the park. In terms of promoting ongoing public access, throughout 2008, public washrooms on-site remained open and maintained for public use, from dawn to dusk. The PNE also continued to monitor use of on-site equipment, such as parking barricades and bumper blocks, to minimize any barriers to public use and enjoyment of the site. The PNE worked with the City of Vancouver on new wayfinding signage, and continues to work with stakeholders on initial plans for walking paths and access routes throughout the park site.

The semi-weekly site inspection program, implemented in 2004 to draw management attention to site issues, continued throughout 2008 and resulted in many site appearance improvements and repairs that may have gone unnoticed in parks with a less diligent observation program. Some of the outcomes of this program are that the PNE continues to proactively initiate improvements to buildings and facilities, and ensures timely graffiti removal and garbage pickup, while also continuing to build and improve partnerships with interested community organizations to ensure the long-term sustainability of Hastings Park.

The PNE remains committed to exploring plans that will ensure public access to and enjoyment of the site while also meeting the needs of our millions of annual event guests who come to celebrate at the PNE.

2008: YEAR IN REVIEW

B. ORGANIZATIONAL HIGHLIGHTS

THE PNE HAS A PROUD TRADITION OF GIVING BACK, AND ITS COMMUNITY OUTREACH PROGRAMS HAVE EVOLVED OVER 98 YEARS, REFLECTING THE CHANGING TIMES AND SOCIAL HISTORY OF VANCOUVER.

PNE in the Community

The PNE remains steadfast in its desire to positively impact the immediate city-wide and provincial community through its award-winning community outreach programs. The PNE has a proud tradition of giving back, and its community outreach programs have evolved over 98 years, reflecting the changing times and social history of Vancouver. In 2008, highlights of the PNE community initiatives included:

- Launched the KC's Kids ticket donation program and awarded 1,470 Playland and Fair tickets to over 80 organizations.
- Through the Neighbourhood Ticket Program, provided 275 households with complimentary Playland and Fright Night tickets, as well as complimentary Fair tickets to 2,500 households to thank our neighbours.
- Continued to award a $500 Miracle Mile Athlete Bursary each month throughout 2008 to a BC amateur athlete who demonstrated dedication to sport, leadership and commitment to the community.
- Distributed 310,000 complimentary Fair admission tickets to students enrolled in kindergarten through grade seven across BC through the Report Card Fair Ticket Program. This is one of the PNE's legacy community programs; over 15 million admission tickets have been given out since the program started in the 1940s.
- Donated tickets to over 400 organizations to help support their fundraising, leadership rewards or prizing programs.
- Continued the Neighbourhood School Outreach Program, with support provided to 15 schools in the Hastings Park area. Highlights of the program's components include the proactive donation of tickets to schools and students.
- Continued the Hastings Park Pass program, through which a limited number of passes are offered to residents in the Hastings-Sunrise area so they are able to access the park and Sanctuary during the 17 days of the Fair. This ensures neighbours have access to paths for jogging and other regular park activities.

Pacific National Exhibition
In the community

- Continued the Neighbourhood Group Outreach Program, through which ticket donations and other assistance were provided to the Hastings North Business Improvement Association, Kiwassa House and the Hastings Sunrise Community Policing Centre.
- Provided subsidized facility rentals, ticket donations, operational support and ice time to numerous non-profit and community groups.
- Continued the Neighbourhood Clean-Up crew and the Neighbourhood Bike Patrol teams that patrol the streets around the PNE grounds during various events, including the Playland season, Fair and Fright Nights, picking up garbage and providing a presence for community safety.
- Continued Charity Readerboard Message Program, providing complimentary space on the electronic readerboard at the corner of Hastings and Renfrew Streets to help local charities raise awareness of important messages and causes.
- The PNE also continued to support a variety of neighbourhood groups, such as Hastings Community Little League, with a place to practice in the off-season and by providing Playland Passes for each player at the opening ceremonies for their season (300 tickets).

The PNE remains committed to expanding its existing community outreach programs and implementing new and relevant ones in the years to come.

2008: YEAR IN REVIEW

B. ORGANIZATIONAL HIGHLIGHTS

Charitable Contributions

Supporting the local and surrounding communities remains a priority for the PNE. We are proud to extend our resources in order to generously give back to local charities. Highlights of the PNE's charitable activities in 2008 include:

- In August, the PNE hosted the annual charity auction that raised over $35,000 for the BC Youth in Agriculture Foundation, a key charity very close to the PNE, as it represents the roots of what the PNE was founded upon, showcasing the best of British Columbia agriculture to the world.
- As both a sustainability initiative and a partnership with the Salvation Army's "You CAN Help" program, the PNE recycling initiative continued throughout 2008. All cans, bottles and plastics collected from our guests on-site during the Playland season, Fright Nights, the Fair and year-round events were donated to the Salvation Army to be recycled for deposits to help support programs for the underprivileged throughout Vancouver. We are especially proud that many of these programs support East Vancouver residents, who share their community with the PNE.
- Continued to donate hundreds of Playland and Fair tickets in support of over 400 fundraising events benefiting charitable, community, educational, sports and non-profit groups across BC.
- Supported 16 local non-profit organizations by providing access to messaging on the PNE electronic readerboard throughout the year.
- Continued the tradition of hosting "Charity Days" during the Fair, where management works with a number of partners to help raise funds on-site. Recipient partners in 2008 included Raise-A-Reader, Canada Safeway Foundation, Jack FM's Make-A-Wish Canada telethon and Canstruction, a charity in support of the Greater Vancouver Food Bank Society.
- Continued to support charities such as the CKNW Orphans' Fund through hosting the 37th annual CKNW Orphans' Fund picnic in Playland to bring underprivileged kids to the park for their own private day of fun.
- Staff also participate in a monthly workplace Jeans Day to support the BC Children's Hospital Foundation and other local charities of choice.

In 2008, over $65,000 was raised for charity directly through PNE initiatives, and the charity program will be expanded in 2009. The PNE is proud to be able to help groups that do such great work in the community.

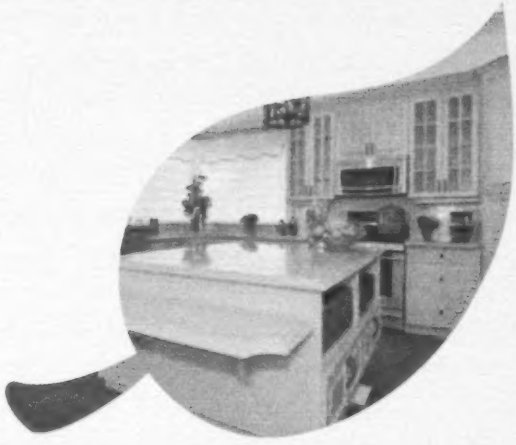
Sustainability

At every level of the organization, the PNE remains committed to the goal of achieving sustainability in all aspects of our business. Throughout 2007, the PNE detailed many of the achievements realized to date. In 2008, we are pleased to report on the organization's continued progress. The sustainability committee met regularly throughout the year to create awareness within the organization and to move new initiatives forward.

Corporate Initiatives

Sustainability initiatives continued from 2007 and achieved throughout 2008 include:

- The PNE's promotional vehicle, which represents the organization at events throughout the Lower Mainland, is a hybrid.
- Throughout the organization, staff continue to recycle paper, bottles, cans, plastics and discarded computer parts. Staff are encouraged to use reusable office supplies, have paper-free meetings, print two-sided as default, turn off computers at night and use low-energy Energy Star lighting in offices.
- Marketing collateral continues to be printed on recycled paper, and the retail ticketing program uses a recyclable styrene paper product for gift cards, rather than PVC plastic.
- Marketing efforts continue to move toward more web-based and email marketing initiatives to reduce paper use.
- Human Resources utilizes direct deposit and epost for payroll, and most recruiting is done online rather than on paper. Old uniforms are donated to charitable organizations such as DeBrand or are reused as rags.
- In the PNE merchandise program, promotional bags are made from 100% recycled cotton, several promotional items are biodegradable corn products, and vegetable ink is used to print graphics on merchandise. Customer bags are made from 100% recycled paper.
- Suppliers are encouraged to provide environmentally preferred "green", recycled and energy-efficient products wherever possible.
- The organization continues to utilize more trees and natural elements in ride and landscape theming throughout the site.



2008: YEAR IN REVIEW

B. ORGANIZATIONAL HIGHLIGHTS

Event Management Initiatives

In addition to the energy-efficient initiatives and equipment upgrades reported on in 2007, the following highlights are part of the 2008 commitment to sustainability:

- In 2008, a blue bag recycling program was initiated during the Fair with all PNE concessionaires and exhibitors to encourage them to recycle their bottles, cans, plastics and cardboard. The PNE provided the blue bags and the collection service.
- The Food and Beverage department continues to recycle bottles, cans, plastics, cardboard and grease from concession stands, and uses CFK-approved carry-out containers. As well, kitchen and concession upgrades include low-energy fixtures and energy-efficient appliances. Environmentally friendly cleaning products are used throughout the department.
- In event marketing materials, the PNE regularly promotes the use of public transportation to get to/from the PNE site, and works with TransLink to increase levels of public transportation to the site during high-volume events such as the annual summer Fair.
- The 2008 PNE Prize Home included energy-saving appliances, water conservation technology and renewable resource materials.
- The PNE's partnership with the Salvation Army's "You CAN Help" recycling initiative continued throughout 2008, with all cans, bottles and plastics collected on-site donated to the Salvation Army to be recycled for deposits to help support programs for the underprivileged throughout Vancouver.
- During events, agricultural event dirt is reused, shavings are purchased in bulk and manure is composted, not thrown out. We have also developed an on-site partnership with Compost Canada to educate the public about composting.
- During the Fair, our "Country Store" continues to promotes the 100-mile diet concept.

Facilities Initiatives

The technical services department is focused on ensuring that facilities throughout the grounds continue to receive sustainable and energy-efficient upgrades. In 2008, the following were achieved:

- Low-flush toilets and urinals as well as low-water use faucets and high-efficiency lighting are now used in all public washrooms in the Pacific Coliseum and Forum.
- The Agrodome received an upgrade of new high-efficiency lighting in the main arena as well as new ballasts to increase lighting efficiency in approximately 130 fluorescent interior fixtures through the Power Smart rebate program.
- Our technical services departments remain committed to the proper disposal and recycling of batteries, motor oil and containers, hydraulic oils, antifreeze, oil filters, containers and absorbents, aerosol cans, paint, wood, glass, vehicle tires, drywall, concrete and blacktop, steel, aluminum and copper.
- Fluorescent or LED lighting is used wherever possible throughout the site.
- Leaves, grass clippings and tree trimmings are recycled for composting.
- The tech services team uses electric, propane or natural gas vehicles where possible (Zoom booms, Scissor lifts, Scrubbers, Zambonis, forklifts, electric ice edgers, electric golf carts, etc.) and remains committed to exploring the conversion of other fleet vehicles.

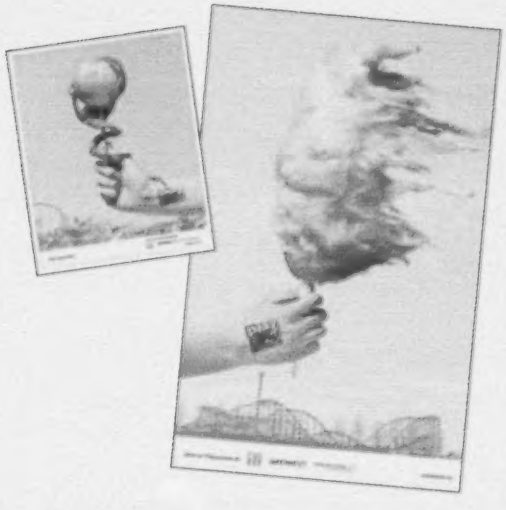
The PNE is very proud of its progress and encourages suppliers, partners, sponsors and staff to continue to bring ideas forward, and remains committed to ongoing sustainability progress.

Celebrating the PNE Team

The success of every organization is built on the foundation of a strong and dedicated team and the PNE is no different. Each year, the PNE employs over 3,400 staff and proudly provides 370 full-time equivalent jobs. This consists of almost 2,400 Fair-time, 700 part-time, 117 full-time and 60 management employees. The PNE is the largest employer of youth in the province and continues to hire more than 2,500 youth employees each summer. We take great pride in providing many of these youth with their first job and with key skills that will help to shape the next generation of leaders. More than 50% of the employees who work at the PNE live in the City of Vancouver.

The PNE's 98 years of success as an iconic part of the Vancouver landscape comes from the team of dedicated staff who form this organization. The PNE proudly celebrates having 118 staff with over 25 years of service at the PNE and 8 employees with over 40 years of service. To recognize the commitment and service of the team, the PNE has implemented a number of programs designed to appreciate those who go above and beyond. These include the Pride and Spotlight Programs for year-round employees and the Star Program for Fair-time employees. As well, in 2008, a new Fair staff recognition program, the Vancity Award, was added to recognize the exemplary accomplishments of staff during the Fair.

In an effort to support the health and well-being of the staff team, the PNE provides year-round access to an expanded on-site fitness centre and social club. As well, several special staff appreciation events are held throughout the year.



2008: YEAR IN REVIEW

B. ORGANIZATIONAL HIGHLIGHTS

Celebrating PNE Achievements

The PNE is proud to be an award-winning organization that pursues excellence in every aspect of the organization. From human resources to entertainment, and from guest services to marketing, our award-winning programs set the industry standard for quality and creativity. The PNE was honoured as "Best Family Entertainment in Canada" by *Today's Parent* and we continue to reach for the stars in all efforts. Throughout 2008, the PNE was honoured by industry and media in the following ways:

- **Marketing Awards by *Strategy* Magazine**—the PNE and its agency Rethink were named "Advertiser of the Year" in Canada for 2008, based on the number of industry awards won by the Playland print, radio, TV and outdoor campaigns.
- **Canadian Event Industry Awards Star Awards**—The Toontastic Celebration Parade was nominated as best entertainment production.
- **International Festivals and Events Association (IFEA) Pinnacle Awards**—Playland won a Gold award for Best Radio Promotion, two Silver awards for Best Print Ad Series and Best Pin (Wooden Rollercoaster Anniversary pin).
- **WestJet**—*up! Magazine* listed the Fair as one of the top 200 Places to get the Best Bang for your Buck.
- **Western Fairs Association (WFA) Awards**—Playland won first place for Best Television (Messed), Best Radio (Doctor and Cure) and Best Display Ads. The Fair at the PNE won first place for Best Fairtime Employee Program and Emergency Plan. The PNE Prize Home won third place for the campaign's Display Newspaper Ads.
- **Clio Awards**—The Playland "Barfing Stuffies" campaign won Bronze and Silver Awards for Outdoor Poster Executions.
- **Marketing Awards**—The Playland "Barfing Stuffies" campaign won two Gold Awards for Best Single and Best Newspaper Campaign.

- **Extra Awards**—The Playland "Barfing Stuffies" campaign won two Gold and two Bronze Awards for the Newspaper Print Ad series.
- **Lotus Advertising Awards (AAABC)**—Playland won best Newspaper Campaign and Best Original Music for TV (Messed) as well as four Merit Awards for Playland Radio (Doctor and Cure) and Print Ad Series (Candy Floss, Caramel Apple and Sno Cone).
- **The Advertising & Design Club of Canada**—the Playland "Barfing Stuffies" campaign won two Silver Awards for Best Newspaper Ad and Outdoor Transit campaign. In addition, the Playland Scream-O-Meter won a Merit Award for Best Business-to-Consumer Promotion.

The PNE takes great pride in working to be the best it can be, and these awards highlight the collective achievements of the PNE team.

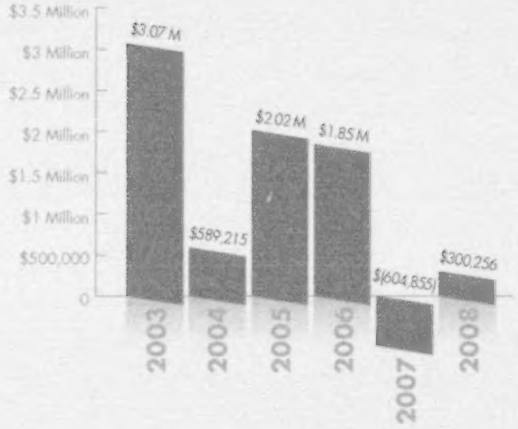
Public Consultation Process

Since taking over ownership of the PNE in January 2004, the City of Vancouver has been involved in a Public Consultation Process to define the future of Hastings Park and the PNE. The directive from City Council was for City staff to explore and further develop an approach that would ensure an ongoing role for the annual 17-day summer Fair, for a seasonal amusement park, and for the year-round operations of the site, all within the context of "greening" Hastings Park. That planning process remains underway, with a final master plan scheduled for completion post-2010.

2008 marked the fourth full year that the PNE has had tenure on-site following the June 2004 decision by City Council to allow the continuation of the traditional operations of the annual summer Fair, Playland Amusement Park and year-round facility rentals. Despite the fact that there are still many details to be determined about the specifics of future operations through the Hastings Park Master Planning Process, this tenure has allowed the PNE to plan for the future and make strategic investments in the site and operations that will continue to support its ongoing financial stability. The PNE continued to actively participate as a member of the key stakeholder group throughout 2008.

The PNE proudly continues to grow as a vibrant and dynamic organization dedicated to providing millions of visitors each year with first-class cultural, sporting and family entertainment as well as access to a diverse and active public park.

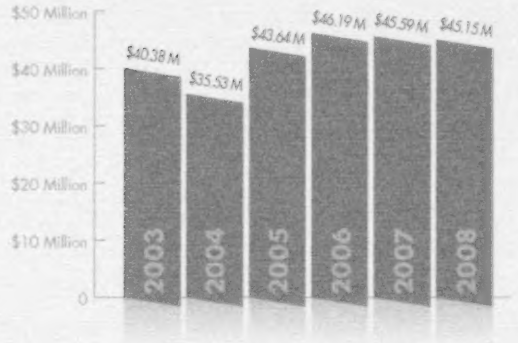
Total Operating Surplus/Deficit *Figure 13*
(Net Contribution 2003–2008)



2008: YEAR IN REVIEW

C. FINANCIAL HIGHLIGHTS OF 2008

Total Gross Revenue 2003–2008 *Figure 14*



Playland and Fright Nights had very strong seasons. The mix of year-round events was diverse and any slowdowns in concert activity were levelled out by a solid Vancouver Giants hockey season and a strong year for filming and sporting events. The Playland season closed with a net contribution of $4.71 million, or $643,854 ahead of budget. Correspondingly, year-round events posted a net contribution of $3.75 million, or $881,131 ahead of budget. The Fair, however, the largest revenue-generating event at the PNE, was plagued by poor weather and received record levels of rainfall during the 17-day outdoor event. Net contribution was $5.28 million; however, this was $2.06 million less than budget. Solid financial management as well as prudent contingent planning allowed the PNE to remain in a positive overall financial position for the year despite the Fair being notably off budget.

As a result, the PNE's overall net contribution for 2008 was lower than anticipated due primarily to August weather effects. While Playland and year-round events showed net contributions that were higher than budgeted, the Fair and site maintenance had lower than budgeted net contributions. Overall, the PNE returned a net contribution of $300,256. While this was lower than budgeted, management mitigation and contingency planning allowed the PNE to remain in an overall positive financial position for 2008.

See the audited financial statements for more detail and see Figures 13 and 14 for six-year gross and net revenue trends.

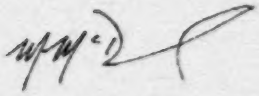
FINANCIAL STATEMENTS

YEAR ENDED
DECEMBER 31, 2008

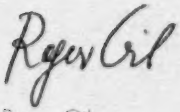
VII. REPORT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Pacific National Exhibition Incorporation Act requires the PNE to table an annual report containing information about the organization's performance. PNE management prepares the following financial statements and related information and is responsible for their integrity. The statements were prepared using Canadian Generally Accepted Accounting Principles. The statements include amounts based on management's estimates and judgments. We believe that these statements represent fairly the PNE's current financial position. Management is also responsible for the accuracy and completeness of the information presented in the PNE's annual report. To fulfil this responsibility, management maintains financial and management control systems and practices that provide reasonable assurance the information is accurate and complete.

PNE officials who have provided the information contained in the 2008 annual report have verified its completeness and accuracy. Our independent auditors, BDO Dunwoody LLP, have audited the financial statements using Canadian Generally Accepted Auditing Standards, to the extent necessary to form an independent opinion on the financial statements prepared by management.



Michael McDaniel
President and Chief Executive Officer



Roger Gil
Vice President, Finance and Corporate Services

VII. CORPORATE GOVERNANCE

2008 Board Of Directors

Mr. James Ridge ..... Chair
Ms. Susan Mundick ..... Director
Ms. Estelle Lo ..... Director through to November 2008. Vacant November to December 31, 2008
Mr. Michael Zora ..... Director through to September 2008
Mr. Kevin Ramsay ..... Director September 2008 to December 31, 2008

2008 Community Advisory Committee

Ms. Stephanie Williamson ..... Community Advisor (representing North Hastings BIA)
Mr. Hakam Bhaloo ..... Community Advisor (representing Leadership Vancouver)
Mr. Rolf Tevely ..... Community Advisor (representing Hastings Community Association)
Vacant ..... Community Advisor (representing Vancouver Economic Development Commission)

Executive Management Committee

Mr. Michael McDaniel ..... President and Chief Executive Officer
Mr. Roger Gil ..... Vice President, Finance and Corporate Services
Mr. Michael MacSorley ..... Vice President, Operations
Mr. Peter Male ..... Vice President, Sales
Ms. Shelley Frost ..... Vice President, Marketing
Ms. Stacy Shields ..... Vice President, Human Resources
Ms. Kate Huffman ..... Executive Assistant July 19, 2007 through July 20, 2008
Ms. Salome Valente ..... Executive Assistant and Corporate Secretary July 21, 2008 through Dec 31, 2008

Corporate Governance Practices

The Pacific National Exhibition is a non-profit registered charity owned by the City of Vancouver. The company's business affairs are the responsibility of the Board of Directors, a City Council appointed body. The PNE's Board of Directors is committed to ensuring corporate governance practices are open and effective and that the Board is fully accountable and assumes responsibility for the stewardship of the organization. The Board discharges responsibility of day-to-day operations to the President and Chief Executive Officer, who in turn selects and oversees the rest of the management team. The Board encourages management, under the direction of the President and Chief Executive Officer, to make clear and appropriate executive decisions.

2008 Auditor

BDO Dunwoody LLP, Chartered Accountants
600–925 West Georgia Street
Vancouver, BC Canada V6C 3L2

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Fax: 604-688-5132
Email: vancouver@bdo.ca

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Fax: 604-688-5132
Email: vancouver@bdo.ca

To the Directors of the
Pacific National Exhibition

We have audited the Statement of Financial Position of the Pacific National Exhibition as at December 31, 2008 and the Statements of Operations, Net Assets and Cash Flows for the year then ended. These financial statements are the responsibility of the Pacific National Exhibition's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. In our opinion, these financial statements present fairly, in all material respects, the financial position of the Pacific National Exhibition as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Pacific National Exhibition Act, we report that, in our opinion, these principles have been applied on a consistent basis.

BDO Dunwoody LLP

Chartered Accountants
Vancouver, British Columbia
February 27, 2009

VII. STATEMENT OF FINANCIAL POSITION As at December 31, 2008

	2008	2007
ASSETS		
Current		
Cash	$ 69,433	$ –
Accounts Receivable	1,980,091	1,688,783
Inventories	1,042,393	1,011,669
Prepaid Expenses	788,410	700,664
Assets held for sale	–	167,500
	3,880,327	3,568,616
Property and equipment (Note 3)	11,133,429	10,514,976
	$ 15,013,756	**$ 14,083,592**
LIABILITIES AND NET ASSETS		
Current Liabilities		
Bank Indebtedness (Note 4)	$ –	$ 177,770
Accounts Payable and accrued liabilities	2,841,346	2,431,802
Bank Loans – Operating Portion (Note 4)	1,820,810	1,820,810
– Capital Portion (Note 4)	3,493,190	3,099,190
Deferred Revenue	174,917	318,700
Current portion of obligations under capital leases (Note 6)	727,189	870,096
	9,057,452	8,718,368
Deferred contributions (Note 5)	994,940	1,123,457
Obligations under capital leases (Note 6)	816,648	397,308
	10,869,041	10,239,133
Net Assets		
Net assets invested in property and equipment	5,101,461	5,024,925
Unrestricted net deficiency	**(956,746)**	**(1,180,466)**
	4,144,715	3,844,459
	$ 15,013,756	**$ 14,083,592**

Financial Instruments (Note 2)
Pension Plan (Note 7)
Outstanding Lawsuits (Note 8)
Related Party Transactions (Note 9)
Commitment (Note 10)

Approved by the Board of Directors

Director

Director

IX. STATEMENT OF OPERATIONS For the year ended December 31, 2008

	2008	2007
REVENUE		
Events	$ 44,709,201	$ 45,049,923
Amortization of deferred contributions	128,517	108,566
Other	310,531	434,590
Total Revenues	45,148,249	45,593,079
OPERATING EXPENSES	43,052,651	44,543,903
OPERATING EARNINGS	2,095,598	1,049,176
OTHER EXPENSES		
Amortization	1,372,256	1,216,413
Interest – Bank Loans	328,479	297,543
Interest – Capital Leases	94,607	140,075
Total other Expenses	1,795,342	1,654,031
Excess (deficiency) of revenue over expenses	**$ 300,256**	**$ (604,855)**

X. STATEMENT OF CHANGES IN NET ASSETS For the year ended December 31, 2008

	2008			2007
	Invested in property & equipment	Unrestricted	Total	Total
NET ASSETS – Beginning of year	$ 5,024,925	$ (1,180,466)	$ 3,844,459	$ 4,449,314
Excess (deficiency) of revenue over expenses for the year	(1,243,739)	1,543,995	300,256	(604,855)
Interfund transfer for capital asset purchases	476,280	(476,280)	0	–
Interfund transfer for repayment of capital leases	843,995	(843,995)	0	–
NET ASSETS – End of year	**$ 5,101,461**	**$ (956,746)**	**$ 4,144,715**	$ 3,844,459

XI. STATEMENT OF CASH FLOWS For the year ended December 31, 2008

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	$ 300,256	$ (604,855)
Items not affecting cash		
Amortization	1,372,256	1,216,413
Amortization of deferred contributions	(128,517)	(108,566)
	1,543,995	502,992
Net change in non-cash working capital items	23,483	(1,342,438)
	1,567,478	**(839,447)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in bank loans	394,000	3,840,000
Proceeds under capital leases	1,120,429	–
Principal payments under capital leases	(843,995)	(1,223,976)
	670,434	**2,616,024**
CASH FLOWS FROM INVESTING ACTIVITY		
Net purchase of property and equipment	(1,990,709)	(1,875,213)
	(1,990,709)	**(1,875,213)**
INCREASE (DECREASE) IN CASH	**247,203**	**(98,636)**
Bank Indebtedness – Beginning of year	(177,770)	(79,134)
CASH (BANK INDEBTEDNESS) – END OF YEAR	**$ 69,433**	**$ (177,770)**

INVENTORIES

Inventories consist of stores, plush toys, merchandise, food and beverages, and are valued at the lower of cost or net realizable value. Cost is determined by the average cost method.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Machinery, furniture, and equipment	10 – 30%	Declining balance method
Playland rides and equipment	5 – 15 years	Straight line method
Playland rides under capital lease	15 years	Straight line method

DEFERRED REVENUE

Advertising revenue for long-term contracts are recognized on a straight line basis over the term of the related contract. Deferred revenue also comprises deposits for events that are not recognized in revenue until the event is held.

REVENUE RECOGNITION

Revenues from the annual fair are recorded as received (admissions) and as earned (exhibitors and advertisers). The Fair runs from late August to early September. Any exhibitor or advertising fees received for next year's Fair are deferred and will not be recognized until earned during the next year's Fair.

Revenues from Playland amusement park are recognized as received (admissions) and as earned (advertisers).

Revenues from short-term event rental of facilities are recorded upon completion of the event.

Contributions from the City of Vancouver, from senior government, or from other donors are recorded following the deferral method. Contributions are recorded as receivable if the amount can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recorded as revenue when they are deemed receivable. Contributions with a designated purpose are deferred until used for the intended purpose. Contributions to fund property or equipment acquisitions, and improvements are deferred and recognized on the same basis as the related property or equipment is amortized.

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures for the reporting period of the statement of operations. Areas involving significant estimation include contingencies and the life and amortization rates of property and equipment. Actual results could differ from those estimates.

FINANCIAL INSTRUMENTS

The PNE classifies its financial instruments as follows:

Held for trading

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 *Financial Instruments – Recognition and Measurement*. The PNE has designated cash on initial recognition as held for trading. These instruments are initially recognized at cost. Upon application of the financial instruments accounting policy, they are recognized at their fair value, determined by published price quotations in an active market. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in income. Net gains and losses arising from changes in fair value are recognized immediately in income.

Loans and Receivables

The PNE has classified the Accounts Receivable as loans and receivables. This asset is initially recognized at its fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon de-recognition or impairment.

Other financial liabilities

The PNE has classified the following financial liabilities as other financial liabilities: Bank Indebtedness, Accounts Payable and accrued liabilities and Bank loans. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon de-recognition or impairment.

NEW ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements that have been issued but are not yet effective and have a potential implication for the Exhibition, are as follows:

CICA Handbook Section 1000, Financial Statement Concepts

Section 1000 has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Exhibition is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Cash Flow Statements

Section 1540 was amended to include not-for-profit organizations within its scope. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Exhibition is currently assessing the impact of the new standard.

Financial Statement Presentation by Not-for-Profit Organizations

Capital Assets Held by Not for Profit Organizations

Section 4430 has been amended to provide additional guidance with respect to the appropriate use of the exemption from recognizing capital assets for smaller entities. The changes are effective for interim and annual financial statements beginning on or after January 1, 2009. The Exhibition is currently assessing the impact of the new standard, but is not expecting any impact.

Section 4400 of the CICA Handbook has been amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets; and
- require that revenues and expenses must be recognized and presented on a gross basis when a not-for profit organization is acting as a principal in transactions.

The new requirements are effective for the Exhibition's fiscal year beginning January 1, 2009. The Exhibition is currently assessing the impact of the new standard.

Disclosure of Related Party Transactions by Not-for-Profit Organizations

Section 4460 of the CICA Handbook has been amended to be consistent with the related party accounting rules for private and public enterprises.

These new rules will be effective for the Exhibition's fiscal year beginning January 1, 2009 but are not expected to have any impact to the Exhibition's reporting.

Disclosure of Allocated Expenses by Not-for-Profit Organizations

Section 4470 of the CICA Handbook establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. Particular emphasis is made to allocation fundraising and general administration expenses.

The new requirements are effective for the Exhibition's fiscal year beginning January 1, 2009, but are not expected to have any impact to the Exhibition's reporting.

1. NATURE OF OPERATIONS

The Pacific National Exhibition is a premier entertainment destination in the province of British Columbia. It has four main activity streams: an annual 17 day fair, Playland amusement park, year-round facilities which are utilized to celebrate a variety of community, social, cultural, ethnic and commercial events, and the care and development of the park. The Pacific National Exhibition's venues will also host activities during the upcoming 2010 Winter Olympics.

The mission of the Pacific National Exhibition is to enrich the quality of life at Hastings Park, Vancouver, by providing family entertainment that invites its guests to celebrate Vancouver's heritage, culture and diverse communities in a vibrant urban park.

Effective January 1, 2004 the Pacific National Exhibition became wholly owned by the City of Vancouver; however its operations are self-sustaining. As a result of its ownership and its registered charity status, the Pacific National Exhibition is not subject to income taxes.

The Pacific National Exhibition was established in 1910 and incorporated in 1973 under the Pacific National Exhibition Incorporation Act of the Province of British Columbia.

2. FINANCIAL INSTRUMENTS

Bank Loans:

The Pacific National Exhibition has an operating credit facility with a Canadian chartered bank in a combination of US and CDN dollars. The operating line bears interest at the bank prime rate.

Financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and bank loans. It is management's opinion that the PNE is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

The fair value of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and bank loans all approximate their carrying value due to their relatively short maturities.

3. PROPERTY AND EQUIPMENT

			2008	2007
	Cost	Accumulated Amortization	Net	Net
Machinery, furniture and equipment	$ 11,176,121	$ 6,706,509	$ 4,469,612	$ 4,129,328
Playland rides and equipment	13,740,679	10,203,847	3,536,832	3,544,371
	24,916,800	16,910,356	8,006,444	7,673,699
Capital Projects in progress			–	734,045
Playland rides under capital lease	4,019,629	892,643	3,126,986	2,107,232
	$ 28,936,429	$ 17,802,999	$ 11,133,430	$ 10,514,976

4. BANK LOANS

Included in the bank loans is an amount of $60,000 denominated in US dollars (2007 – $60,000). The interest due on this loan is payable in US dollars.

The Pacific National Exhibition has an operating line credit facility with a Canadian chartered bank providing for maximum borrowing of $10.4 Million from January 1 to September 8, 2009 and for $12 million for the remainder of the year in a combination of US and CDN dollars.

The operating line bears interest at the bank prime rate and is due on demand. A general security agreement covering all assets and undertakings of the Pacific National Exhibition has been provided as collateral for the operating line as well as a guarantee and postponement of claim by the City of Vancouver in the amount of $12 Million.

In addition, the guarantee by the City of Vancouver includes the amount of letters of credit outstanding totaling $45,000 (2007 – $45,000).

5. DEFERRED CONTRIBUTIONS

	2008	2007
Balance – Beginning of year	$ 1,123,457	$ 232,023
Add: contributions used to acquire property, and equipment	–	1,000,000
Less: amounts amortized to revenue	(128,517)	(108,566)
Balance – End of year	**$ 994,940**	**$ 1,123,457**

6. OBLIGATIONS UNDER CAPITAL LEASES

The future minimum lease payments under capital leases are as follows:

Year ending December 31	2009	$ 793,752
	2010	296,854
	2011	251,744
	2012	251,744
	2013	100,699
		1,649,793
Less: Amount representing interest		(150,956)
Principal Obligation		1,543,837
Less: Current Portion		(727,189)
		$ 816,648

Interest rates on capital leases range from 4.40% – 7.00% annually.

The capital leases provide that at the end of the respective lease terms, the Pacific National Exhibition is required to either extend the term of the lease, purchase the asset based on a pre-determined option price, or return the asset to the lessor and pay the lessor any shortfall between the fair value of the asset upon return and the pre-determined residual value.

The above lease schedule of lease payments assumes that the purchase options are exercised at the end of the lease term.

7. PENSION PLAN

The Pacific National Exhibition and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly-trusteed pension plan. The Plan's Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of the benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 150,000 active members and approximately 54,000 retired members. Active members include approximately 32,000 contributors. Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2006 indicates a surplus of $438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available 2010. The actuary does not attribute portions of the unfunded liability to individual employers.

Due to severe market declines, the 2008 investment return on Plan assets to September 30, 2008 was -6.86%, which is below the actuarial target and slightly below the benchmark. The Plan could be at an underfunded position in comparison to the 2006 actuary reported surplus position. If there is an underfunded liability, the employer's contribution rate may increase. However, this increase may not be sufficient to keep the Plan fully funded. The Plan's Board of Trustees has reviewed its asset allocation and will be making changes to its Statement of Investment Policies and Procedures at its March 2009 Board meeting.

Contributions by the Pacific National Exhibition to the Plan in fiscal 2008:

	2008	2007
Employee	$ 584,201	$ 576,315
Employer	601,272	593,793
Total	$ 1,185,473	$ 1,170,108

8. OUTSTANDING LAWSUITS

Various lawsuits and claims are pending by and against the Pacific National Exhibition. It is the opinion of management that final determination of these claims will not materially affect the financial position of the Pacific National Exhibition. Estimates of costs anticipated to result from claims are accrued where the amount can be reasonably estimated. Any differences from the estimates or any losses on claims that cannot be estimated will be recorded in the year the settlements occur.

Pacific National Exhibition

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Vancouver, BC V5K 5J1

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9. RELATED PARTY TRANSACTIONS

During the year the Pacific National Exhibition paid the following amounts to the City of Vancouver:

	2008	2007
Water Billings	$ 422,626	$ 417,258
Policing Services	170,742	208,972
Permits and Other	22,224	25,948
Total	**$ 615,592**	**$ 652,178**

These transactions are in the normal course of operations and are measured at the exchange value being the amount of consideration established and agreed to by the related parties.

Included in accounts receivable is $505,974 (2007 – $556,739) due from the City of Vancouver. Included in accounts payable is $250,000 due to the City of Vancouver.

10. COMMITMENT

The PNE has entered into construction agreements for 2008 in the amount of $1,514,213.

The PNE has entered into a purchase agreement in 2008 for four complete specialty attractions in the amount of $702,450 USD.

11. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2007, the PNE adopted the Canadian Institute of Chartered Accountants' new recommendation for the recognition and measurement of financial instruments and amendments to the existing presentation and disclosure standards. CICA 3855 *Financial Instruments-Recognition and Measurement* establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. CICA 3861 *Financial Instruments Disclosure and Presentation* discusses the presentation and disclosure of these items. Financial instruments are defined as a contractual right to either receive or deliver cash or another financial instrument to another party.

Amendments to CICA 4400 *Not-For-Profit Organizations* require presentation of gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets. The PNE does not have any transactions which qualify for hedge accounting.

Transactions entered into prior to the adoption of these recommendations have not been retroactively designated.

Pursuant to the requirements of these financial instruments standards, the PNE now classifies and recognizes its financial assets and liabilities as described in Significant Accounting Policies under Financial Instruments. Upon adoption the PNE re-measured its held for trading financial assets at their fair value, and its loans and receivables and other liabilities at their amortized cost. This resulted in no change to unrestricted net deficiency as at January 1, 2007.